



**Adopted 2004/2005 Budget
and
Ten-Year Resource Allocation Plan**

**City Manager's
Adopted Budget Message**

CITY MANAGER'S ADOPTED BUDGET MESSAGE

I am pleased to present the FY 2004/2005 Budget and accompanying Ten-Year Resource Allocation Plan, as adopted on June 15, 2004 by the Sunnyvale City Council. The specifics of the budget as recommended to Council are discussed in detail beginning on the next page. This addendum addresses the adoption of fiscal strategies and amendments to the Recommended Budget.

On June 8, 2004 staff presented to Council its analysis of a potential new fee for Emergency/911 services. Upon the conclusion of this report Council approved in concept the proposed Emergency/911 Fee. Based upon preliminary policy direction received from Council staff has begun the process of developing this new fee. Though many jurisdictions have enacted or are pursuing this fee, it is not without potential legal challenges, mainly from telecom service providers. Given the current level of legal scrutiny surrounding this fee the original expectation of \$2 million in revenue for FY 2004/2005 will not be realized. Staff has eliminated this revenue projection for FY 2004/2005. This reduction in revenue has been partially offset by higher than anticipated Sales Tax revenue of approximately \$1 million in FY 2003/2004.

Second, re-imbursement funds for operating costs associated with the Multimodal Transit Station by the Peninsula Joint Powers Board have been added to the General Fund Financial Plan. Staff had originally inadvertently omitted an annual reimbursement of approximately \$93,000 in the FY 2004/2005 Recommended Budget.

Included on the expenditure side are the following budget supplements as discussed during the presentation of the FY 2004/2005 Recommended Budget:

Funds associated with the Office of the City Manager's Communications Division have been reallocated to newly created activities related to the review and possible modification of the City's external web site. This reallocation transfers funds between activities and thus no increase in funding is required.

Funds of \$4,500 have been budgeted into a special project to help defray the costs of Public Safety and Public Works services provided to the 2004 Downtown Summer Music Series.

Funds of \$6,500 have been budgeted for costs to cover uniforms, equipment and supplies, and recognition for the Volunteers in Public Safety (VIPs) program.

Over the last several years the City's General Fund revenues have declined, while costs have risen faster than inflation. This situation has led to a continuing structural


imbalance between revenues and expenditures in the General Fund, over the first part of the Ten-Year Financial Plan.

To address the structural imbalance several strategies have been proposed as detailed in Budget Supplement # 3 of the FY 2004/2005 Recommended Budget. The service level revisions could result in a net reduction of approximately \$900,000 in FY 2004/2005 and an additional \$1.3 million in annual reductions that could be available pending further review by staff. City staff will present these service level revisions to Council following a mid-year review of the City's financial situation in December 2004.

The adopted budget incorporates the final policy direction provided by the City Council in the operating budget, project budget and long-range financial plans. Attached to this budget message is the list of fiscal strategies that City staff will be exploring in the coming year.

The FY 2004/2005 Adopted Budget is a culmination of a difficult process to confront a challenging fiscal reality. Staff continues to closely monitor our local economic conditions, revenue patterns and expenditure trends, and State legislative actions. The current budget crisis requires that the City "change its lifestyle" to adjust to the new fiscal realities. Fortunately, Sunnyvale's planning and financial management systems are providing the foundation on which we are building the solutions to the City's budget crisis.

Respectfully Submitted,

A handwritten signature in dark ink, appearing to read "Amy Chan", is positioned above a horizontal line.

Amy Chan
City Manager

August 11, 2004